

Colon Township
Financial Statements
March 31, 2008

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* <u>Colon Township</u>	County* <u>St. Joseph</u>	Type* <u>Township</u>	MuniCode* <u>75</u>
Opinion Date-Use Calendar* <u>August 29, 2008</u>	Audit Submitted-Use Calendar* <u>Sept. 30, 2008</u>	Fiscal Year End Month* <u>March</u>	Fiscal Year* <u>2008</u>

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues that were collected by another taxing unit timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan as revised (see Appendix H of Bulletin)?
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? <u>NA</u>
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies? 19. If so, was it attached to the audit report?

General Fund Revenue:	<u>319,273</u>
General Fund Expenditure:	<u>285,825</u>
Major Fund Deficit Amount:	\$ <u>0.00</u>

General Fund Balance:	<u>281,245</u>
Governmental Activities Long-Term Debt (see instructions):	<u>999,159</u>

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* <u>David</u>	Last Name* <u>Locey</u>	Ten Digit License Number* <u>1101012773</u>		
CPA Street Address* <u>67036 N. M-66</u>	City* <u>Sturgis</u>	State* <u>MI</u>	Zip Code* <u>49091</u>	Telephone*
CPA Firm Name* <u>David F. Locey, CPA</u>	Unit's Street Address*	Unit's City*	Unit's Zip*	

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Independent Auditor's Report

To Board of
Colon Township

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Colon Township, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Colon Township, Michigan, as of March 31, 2008, and the respective changes in financial position and the budgetary comparisons for the general and special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Township has not presented Management's Discussion and Analysis as required supplementary information. The GASB has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Colon Township's basic financial statements. The combining financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read 'D. Locey', with a stylized flourish at the end.

David F. Locey, CPA, PC
August 29, 2008

Colon Township
Statement of Net Assets
March 31, 2008

	<u>Governmental Fund Types</u>
Assets	
Cash and cash equivalents	\$787,464
Accounts receivable	<u>274,446</u>
Total current assets	1,061,910
Noncurrent Assets	
Capital Assets	
Assets not being depreciated - Land/Improvements	1,056,618
Assets being depreciated -Equipment - Furniture/Fixtures	<u>1,028,707</u>
Accumulated depreciation	<u>(632,409)</u>
Total noncurrents assets	<u>1,452,916</u>
Total assets	<u><u>\$2,514,826</u></u>
Liabilities	
Accounts payable	\$6,697
Other accrued expenses	9,685
Deferred revenue	196,728
Long-Term Liabilities	
Due in one year	72,211
Due in more than one year	<u>926,948</u>
Total liabilities	<u>1,212,269</u>
Net Assets	
Invested in capital assets	453,757
Unrestricted	<u>848,799</u>
Total net assets	<u><u>\$1,302,556</u></u>

Colon Township
Statement of Activities
For the Year Ended March 31, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General government	\$243,068	\$18,591	\$160,623	\$0	(\$63,854)
Public safety	160,702	0	0	157,965	(2,737)
Public works	69,880	0	0	5,439	(64,441)
Library	170,398	1,883	4,350	79,583	(84,582)
Community development	7,943	0	0	0	(7,943)
Total governmental activities	<u>\$651,991</u>	<u>\$20,474</u>	<u>\$164,973</u>	<u>\$242,987</u>	<u>(\$223,557)</u>
Changes in net assets					
General revenues:					
Property taxes					187,333
Other revenue					41,553
Investment earnings					<u>22,675</u>
Total general revenues					<u>251,561</u>
Change in net assets					<u>28,004</u>
Net assets, beginning of year					<u>1,274,552</u>
Net assets, end of year					<u>\$1,302,556</u>

Colon Township
Reconciliation of Fund Balance
Governmental Funds and Net Assets
March 31, 2008

Fund balances - total governmental funds	\$848,799
Add:	
Assets less accumulated depreciation of \$632,409	1,452,916
Assets purchased during year	10,454
Principal reduction in debt	65,056
Less:	
Depreciation expensed out during year	(42,958)
Long-Term Debt	(999,159)
Prior Period Adjustment	<u>(32,552)</u>
Net assets	<u><u>\$1,302,556</u></u>

Colon Township
Balance Sheet
Governmental Funds
March 31, 2008

		Special Revenue	
	General	Fire and Rescue	Library
Assets			
Cash and cash equivalents	\$324,885	\$40,100	\$115,347
Receivables:			
Accounts	35,102	0	0
Special assessments	11,530	12,012	7,903
Due from other governments	0	0	0
Due from other funds	14,614	47,639	6,391
Total assets	<u>\$386,130</u>	<u>\$99,751</u>	<u>\$129,642</u>
Liabilities			
Accounts payable	\$6,843	\$0	\$0
Accrued liabilities	4,896	0	2,599
Due to other funds	92,615	9,337	3,712
Due to outside agencies	531	0	0
Deferred revenue	0	0	0
Total liabilities	<u>104,885</u>	<u>9,337</u>	<u>6,311</u>
Fund balances			
Fund Balance	<u>281,245</u>	<u>90,414</u>	<u>123,331</u>
Total fund balances	<u>281,245</u>	<u>90,414</u>	<u>123,331</u>
Total liabilities and fund balances	<u>\$386,130</u>	<u>\$99,751</u>	<u>\$129,642</u>

The Notes to the Financial Statement are an integral part of this statement.

Debt Service		Capital Projects		
Fire Hall	Library	Library	Fiduciary	Totals
\$137,113	\$91,552	(\$7)	\$78,473	\$787,464
196,728	0	0	0	231,830
2,933	7,016	0	1,222	42,616
0	0	0	0	0
3,662	54,078	524	12,336	139,243
<u>\$340,436</u>	<u>\$152,645</u>	<u>\$517</u>	<u>\$92,031</u>	<u>\$1,201,153</u>
\$0	\$0	\$1,562	(\$1,708)	\$6,697
0	0	0	0	7,494
23,570	524	0	9,485	139,244
0	0	0	1,659	2,191
196,728	0	0	0	196,728
<u>220,298</u>	<u>524</u>	<u>1,562</u>	<u>9,437</u>	<u>352,355</u>
<u>120,138</u>	<u>152,121</u>	<u>(1,045)</u>	<u>82,595</u>	<u>848,799</u>
<u>120,138</u>	<u>152,121</u>	<u>(1,045)</u>	<u>82,595</u>	<u>848,799</u>
<u>\$340,436</u>	<u>\$152,645</u>	<u>\$517</u>	<u>\$92,032</u>	<u>\$1,201,153</u>

Colon Township
Statement of Revenue, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended March 31, 2008

		Special Revenue	
	General	Fire and Rescue	Library
Revenues			
Property taxes	\$116,676	\$0	\$0
State revenue	160,623	0	4,350
Special assessments	0	110,892	79,582
Fines and forfeitures	0	0	16,641
Charges for services	17,943	648	1,883
Interest	12,058	0	2,758
Other	11,973	0	11,738
Total revenues	319,273	111,541	116,952
Expenditures			
Current:			
Legislative	23,273	0	0
General government	186,741	0	0
Public safety	0	113,088	0
Public works	64,241	0	0
Community development	7,943	0	0
Culture	3,627	0	94,505
Debt service:			
Principal	0	0	0
Interest and fiscal charges	0	0	0
Capital Outlay	0	0	0
Total expenditures	285,825	113,088	94,505
Revenue over (under) expenditures	33,448	(1,547)	22,448
Other financing sources (uses)			
Transfers in	0	0	0
Transfers out	0	0	47,851
Total other financing sources (uses)	0	0	47,851
Net change in fund balances	33,448	(1,547)	(25,403)
Prior period adjustment	0	0	0
Fund balances, beginning of year	247,797	91,961	148,735
Fund balances, end of year	\$281,245	\$90,414	\$123,331

The Notes to the Financial Statement are an integral part of this statement.

Debt Service		Capital Projects		
Fire Hall	Library	Library	Fiduciary	Totals
\$0	\$70,657	\$0	\$0	\$187,333
0	0	0	0	164,973
47,073	0	0	5,439	242,987
0	0	0	0	16,641
0	0	0	0	20,474
5,257	217	8	2,378	22,676
0	0	1,200	0	24,911
52,330	70,874	1,208	7,817	679,993
0	0	0	0	23,273
0	0	263	550	187,554
0	0	6,574	0	119,663
0	0	0	5,639	69,880
0	0	0	0	7,943
0	250	0	0	98,382
35,056	30,000	0	0	65,056
12,558	35,178	0	0	47,736
0	0	0	0	0
47,614	65,428	6,838	6,189	619,487
4,716	5,446	(5,629)	1,628	60,508
0	47,851	0	0	47,851
0	0	0	0	47,851
0	47,851	0	0	0
4,716	53,297	(5,629)	1,628	60,508
0	0	0	1,899	1,899
115,423	98,824	4,584	79,068	786,392
\$120,138	\$152,121	(\$1,045)	\$82,595	\$848,798

Colon Township
Statement of Revenue, Expenditures and Changes in Fund Balances
Budget and Actual
General Fund
For the Year Ended March 31, 2008

	Budget	Actual	Over (Under Budget)
Revenue			
Property taxes	\$127,596	\$116,676	(\$10,920)
State revenue	150,000	160,623	10,623
Charges for services	17,500	17,943	443
Interest	3,500	12,058	8,558
Other	12,027	11,973	(54)
Total revenue	310,623	319,273	8,650
Expenditures			
Legislative - Township Board	27,432	23,273	(4,159)
General government:			
Assessor	26,500	26,030	(470)
Supervisor	11,434	10,540	(894)
Clerk	34,417	32,783	(1,634)
Elections	1,833	2,029	196
Legal & Audit	26,850	27,130	280
Board of review	1,135	935	(200)
Treasurer	22,902	22,881	(21)
Buildings and grounds	9,689	9,390	(299)
Insurance and bonds	10,833	10,833	0
Cemetery	45,049	44,191	(858)
Total general government	190,642	186,741	(3,901)
Public works:			
Roads	42,770	42,770	(0)
Drains	20,596	20,471	(125)
Sewer	1,010	1,000	(10)
Total public works	64,376	64,241	(135)
Community development - zoning	7,393	7,943	550
Culture - parks	3,650	3,627	(23)
Debt service:			
Principal	0	0	0
Interest and fiscal charges	0	0	0
Total debt service	0	0	0
Total expenditures	293,493	285,825	(7,668)
Net change in fund balances	17,130	33,448	16,318
Fund balances, beginning of year	247,797	247,797	0
Fund balances, end of year	\$264,927	\$281,245	\$16,318

The Notes to the Financial Statement are an integral part of this statement.

Colon Township
Statement of Revenue, Expenditures and Changes in Fund Balances
Budget and Actual
Fire and Rescue Special Revenue Fund
For the Year Ended March 31, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under Budget)</u>
Revenue			
Special assessments	\$128,582	\$110,892	(\$17,690)
Interest	<u>150</u>	<u>648</u>	<u>498</u>
Total revenue	128,732	111,540	(17,192)
Expenditures			
Public safety	<u>112,996</u>	<u>113,088</u>	<u>92</u>
Net change in fund balances	15,736	(1,548)	(17,284)
Fund balances, beginning of year	<u>91,961</u>	<u>91,961</u>	<u>0</u>
Fund balances, end of year	<u><u>\$107,697</u></u>	<u><u>\$90,413</u></u>	<u><u>(\$17,284)</u></u>

Colon Township
Statement of Revenue, Expenditures and Changes in Fund Balances
Budget and Actual
Library Special Revenue Fund
For the Year Ended March 31, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under Budget)</u>
Revenue			
Special assessment	\$75,030	\$79,582	\$4,552
State revenue	1,560	4,350	2,790
Fine and forfeitures	14,700	16,641	1,941
Charges for services	1,500	1,883	383
Interest	2,300	2,758	458
Other	400	11,738	11,338
	<u>95,490</u>	<u>116,952</u>	<u>21,462</u>
Total revenue			
Expenditures			
Library - Culture	98,090	94,505	(3,585)
	<u>98,090</u>	<u>94,505</u>	<u>(3,585)</u>
Revenue over (under) expenditures	(2,600)	22,448	25,048
Other financing (uses)			
Transfers (out)	(47,851)	(47,851)	0
	<u>(47,851)</u>	<u>(47,851)</u>	<u>0</u>
Net change in fund balances	(50,451)	(25,403)	25,048
	<u>(50,451)</u>	<u>(25,403)</u>	<u>25,048</u>
Fund balances, beginning of year	148,735	148,735	0
	<u>148,735</u>	<u>148,735</u>	<u>0</u>
Fund balances, end of year	\$98,283	\$123,331	\$25,048
	<u>\$98,283</u>	<u>\$123,331</u>	<u>\$25,048</u>

Colon Township
Combining Balance Sheet
Fiduciary Funds
March 31, 2008

		<u>Permanent</u>	
	Special	Cemetery	
	Assessments	Endowment	Totals
Assets			
Cash and cash equivalents	\$35,070	\$43,403	\$78,473
Special assessments receivable	1,222	0	1,222
Due from other funds	12,336	0	12,336
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$48,628</u>	<u>\$43,403</u>	<u>\$92,031</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	(\$1,708)	\$0	(\$1,708)
Due to outside agencies	1,659	0	1,659
Due to other funds	9,485	0	9,485
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	9,437	0	9,437
Fund Balances			
Unreserved, undesignated	39,192	43,403	82,595
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$48,628</u>	<u>\$43,403</u>	<u>\$92,032</u>

Colon Township
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended March 31, 2008

	<u>Special Revenue</u>	<u>Permanent</u>	
	<u>Special Assessments</u>	<u>Cemetery Endowment</u>	<u>Totals</u>
Revenue			
Special assessments	\$5,439	\$0	\$5,439
Interest and other	940	1,438	2,378
Total revenue	<u>\$6,379</u>	<u>\$1,438</u>	<u>\$7,817</u>
Expenditures			
General government	\$0	\$550	\$550
Public works	5,639	0	5,639
Total expenditures	5,639	550	6,189
Net change in fund balances	<u>740</u>	<u>888</u>	<u>1,628</u>
Prior period adjustment	<u>1,899</u>	<u>0</u>	<u>1,899</u>
Fund balances, beginning of year	<u>36,553</u>	<u>42,515</u>	<u>79,068</u>
Fund balances, end of year	<u>\$39,192</u>	<u>\$43,403</u>	<u>\$82,595</u>

Colon Township
Notes to Financial Statements
For the Year Ended March 31, 2008

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

REPORTING ENTITY

Colon Township is a municipal corporation governed by a five-member board, which includes an elected supervisor, clerk, treasurer, and two trustees. The Township has adopted the position of the Governmental Accounting Standards Board (GASB) Statement #14 regarding the definition of reporting entity and has determined that no entities should be consolidated into the financial statements as component units. The criteria for including a component unit include significant operational or financial relationships with the government.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, if any, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the respective fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Colon Township
Notes to Financial Statements
For the Year Ended March 31, 2008

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

MEASUREMENT FOCUS, BASIS OF ACCOUNTING FINANCIAL STATEMENT PRESENTATION (cont'd)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, intergovernmental revenues, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major governmental funds:

General Fund - This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fire and Rescue Fund – This account is used for a special assessment millage levy to provide the required funds for appropriation to the Colon Community Joint Fire and Rescue.

Library Fund – This account is used for specific revenue sources derived from state grants, general fund appropriations, a library tax levy and charges for services, which are to be expended for public library purposes as dictated by legal requirements.

Fire Hall Debt Service Fund – This account is used to record revenues which are restricted for the payment of principal and interest on the fire hall debt.

Library Debt Service Fund – This account is used to record revenues which are restricted for the payment of principal and interest on the library debt.

Library Capital Project Fund – This account is used for library facility renovations and additions.

Colon Township
Notes to Financial Statements
For the Year Ended March 31, 2008

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

MEASUREMENT FOCUS, BASIS OF ACCOUNTING FINANCIAL STATEMENT PRESENTATION (cont'd)

Additionally, the government reports the following fund types:

Special Revenue Funds – These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

Permanent Funds – These funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

Agency Funds – These funds account for assets held for other governments in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, if any, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

ASSETS, LIABILITIES AND NET ASSETS/EQUITY

Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand and demand deposits.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptance, and mutual funds composed of otherwise legal investments.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Colon Township
Notes to Financial Statements
For the Year Ended March 31, 2008

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

MEASUREMENT FOCUS, BASIS OF ACCOUNTING FINANCIAL STATEMENT PRESENTATION (cont'd)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), if any, are reported in the governmental activities column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20 - 50
Furniture and equipment	5 - 20

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Colon Township
Notes to Financial Statements
For the Year Ended March 31, 2008

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end. The government's final budget must be prepared and adopted prior to April 1st of each year.

The appropriated budget is prepared by fund, activity, and department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the department level. Certain supplemental budgetary appropriations were made during the year.

The government does not utilize encumbrance accounting.

DETAILED NOTES ON ALL FUNDS

DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets to deposits and investments as classified for note disclosure purposes is as follows:

<u>Deposits</u>	<u>Primary Government Carrying Amount</u>
Insured	\$ 200,000
Uninsured	<u>587,464</u>
	<u>\$ 787,464</u>

Custodial Credit Risk – Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$587,464 of the Township's bank balance of \$787,464 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Colon Township
Notes to Financial Statements
For the Year Ended March 31, 2008

DETAILED NOTES ON ALL FUNDS (cont'd)

RECEIVABLES

Receivables as of year end are as follows:

Accounts receivable	\$ 35,102
Special assessments	42,616
Due from other governments	<u>196,728</u>
	<u>\$274,446</u>

Amount not expected to be collected within one year \$196,728

CAPITAL ASSETS

Capital assets activity for the year ended Mar 31, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
Governmental Activities			
Capital assets, not being depreciated:			
Land	\$ 135,150	\$ 0	\$ 135,150
Construction in progress	<u>921,468</u>	<u>0</u>	<u>921,468</u>
Total capital assets not being depreciated	<u>1,056,618</u>	<u>0</u>	<u>1,056,618</u>
Capital assets, being depreciated:			
Buildings and improvements	691,454	0	691,454
Furniture and equipment	<u>326,799</u>	<u>10,454</u>	<u>337,253</u>
Total capital assets being depreciated	<u>1,018,253</u>	<u>10,454</u>	<u>1,028,707</u>
Less accumulated depreciation for:			
Buildings and improvements	(391,109)	(8,208)	(399,317)
Furniture and equipment	<u>(198,342)</u>	<u>(34,750)</u>	<u>(233,092)</u>
Total accumulated depreciated	<u>(589,451)</u>	<u>(42,958)</u>	<u>(632,409)</u>
Total capital assets being depreciated, net	<u>428,802</u>	<u>(32,504)</u>	<u>396,298</u>
Capital assets, net	<u>\$1,485,420</u>	<u>\$(32,504)</u>	<u>\$1,452,916</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 2,153
Public safety	6,296
Public works	1,128
Culture	<u>33,381</u>

Total depreciation expense – governmental activities \$ 42,958

Colon Township
Notes to Financial Statements
For the Year Ended March 31, 2008

DETAILED NOTES ON ALL FUNDS (cont'd)

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At March 31, 2008, interfund receivables and payables consisted of the following:

General fund	\$ 14,674	\$ 92,615
Fire and rescue	47,639	9,337
Library	6,391	3,712
Fire hall debt service	3,662	23,570
Library debt service	54,077	524
Special revenue - tax	12,338	9,528
Library - capital project	<u>524</u>	<u>0</u>
	<u>\$ 139,243</u>	<u>\$ 139,243</u>

LONG-TERM DEBT

General Obligation Bonds – The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. The original amount of general obligation bonds issued in prior years for the items listed below was \$900,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
2003 general obligation unlimited tax bonds	3.0 – 4.8%	<u>\$810,000</u>

Colon Township
Notes to Financial Statements
For the Year Ended March 31, 2008

DETAILED NOTES ON ALL FUNDS (cont'd)

Annual debt service requirements to maturity for general obligation bonds is as follows:

<u>Fiscal Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	35,000	34,040	69,040
2010	35,000	32,885	67,885
2011	35,000	31,765	66,765
2012	40,000	30,468	70,468
2013 – 2017	230,000	126,670	356,670
2018 – 2022	295,000	69,291	364,291
2023 – 2024	<u>140,000</u>	<u>6,720</u>	<u>146,720</u>
	<u>\$810,000</u>	<u>\$331,839</u>	<u>\$1,141,839</u>

Loans Payable – In 2001, the Township entered into a municipal bank loan payable in annual installments including interest at 5.55% due on March 15 each year. This amortization schedule is updated to reflect the Township's advance payments of principal on the loan. Final maturity on the loan has changed from March 15, 2015 to March 15, 2013. The Village of Colon is responsible for 40% of the total debt service and is required to contribute \$20,000 per year to the payment of debt and has agreed to extend payments beyond the final debt payment to reimburse the Township for additional amounts paid by the Township.

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
2001 municipal building bank loan	5.5%	<u>\$189,159</u>

Annual debt service requirements to maturity for installment obligations are as follows:

<u>Fiscal Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	37,211	10,404	47,615
2010	39,257	8,357	47,614
2011	41,417	6,198	47,615
2012	43,694	3,920	47,614
2013	<u>27,580</u>	<u>1,517</u>	<u>29,097</u>
	<u>\$ 189,159</u>	<u>\$ 30,396</u>	<u>\$ 219,555</u>

Colon Township
Notes to Financial Statements
For the Year Ended March 31, 2008

OTHER INFORMATION

PROPERTY TAXES

The government's property taxes are levied each December 1 on the taxable value of property located in the Township as of the preceding December 31, the lien date. Taxable values are established annually by the government and subject to acceptance by the County.

JOINT VENTURE

Colon Township and the Village of Colon have entered into an agreement that created the Colon Community Joint Fire and Rescue Authority. The Authority's board is composed of five members, of which the Township and the Village each appoint two members. Each entity is financially responsible to make annual contributions based on a "weighted formula".

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Colon Township Board
Colon, Michigan

We have audited the general purpose financial statements of Colon Township, as of and for the year ended March 31, 2008, and have issued our report thereon dated August 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Colon Township's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Colon Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the

internal control components does not reduce to a relatively low level risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Township Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

DAVID F. LOCEY, C.P.A., P.C.

A handwritten signature in black ink, appearing to read 'D. Lochey', is written over the printed name.

Sturgis, Michigan
August 29, 2008